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VIA EMAIL AND USPS

June 4, 2008

Mr. Russell Crosby
Director Retirement Services
City of San Jose Police and Fire Department Retirement Plan
1737 North First Street, Suite 580
San Jose, CA 95112-4505

Re: Cost of Improvement in Continuance Benefit Under Proposed 3% Per Year of Service Police Benefit Formula

Dear Russell:

In our letters to the Plan dated February 27, 2008 and May 27, 2008, we provided the costs associated with providing a retirement benefit to the Police members based on a 3% of final average salary (FAS) per year of service (after 20 years of service) with a maximum of 90% of FAS paid to the member. The only difference between the two letters was that in the February 27, 2008 letter, we assumed a maximum spouse/domestic partner continuance benefit of 45.0% of FAS but in our May 27, 2008 letter, the maximum spouse/domestic partner continuance benefit was assumed to be 42.5% of FAS.

The Plan has asked us to isolate the increase in cost due to the increase in the continuance benefit from 42.5% to 45.0% under the 3% of FAS formula for the member.

The results, calculated by taking the difference in the rates provided in the two letters, are as follows:

Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES
MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX PRINCETON RALEIGH SAN FRANCISCO TORONTO WASHINGTON, DC



Multinational Group of Actuaries and Consultants BARCELONA BRUSSELS DUBLIN GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
MEXICO CITY OSLO PARIS

<u>3% of FAS Formula for Member</u>	(1) 45.0% Continuance Benefit (Based on 2/27/08 Study)	(2) 42.5% Continuance Benefit (Based on 5/27/08 Study)	(1)-(2) 2.5% Continuance Benefit
Increase in Actuarial Accrued Liability	\$28,606,000	\$27,861,000	\$745,000
Change in Actuarial Value of Assets	\$0	\$0	\$0
Increase in Unfunded Actuarial Accrued Liability (UAAL)	\$28,606,000	\$27,861,000	\$745,000
Increase in Employer UAAL Rate (% of Payroll*)	1.64%	1.59%	0.05%
Increase in Employer Normal Cost Rate (% of Payroll*)	1.02%	1.00%	0.02%
Increase in Total Employer Rate (% of Payroll*)	2.66%	2.59%	0.07%
Increase in Employee UAAL Rate (% of Payroll*)	0.00%	0.00%	0.00%
Increase in Employee Normal Cost Rate (% of Payroll*)	0.38%	0.37%	0.01%
Increase in Total Employee Rate (% of Payroll*)	0.38%	0.37%	0.01%

* Estimated payroll for plan year 2007-2008 is \$148,905,245 for the Police group

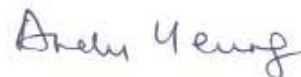
In reviewing the above rates for the cost of an increase in the continuance benefit by 2.5% of FAS, the Plan should be reminded that they have been calculated using the 3% of FAS formula proposed for the Police group. The cost of the continuance benefit under a formula other than the 3% of FAS formula will be different.

If you have any questions, please let us know.

Sincerely,



Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary



Andy Yeung, ASA, EA, MAAA
Vice President and Associate Actuary

AYY/gxk